

# 11.0 Water Resources

The water resources element addresses the supplies currently available to serve water demand in the Mesa water service area. It also presents an analysis of the adequacy of current physically and legally available water supplies and planned additional supplies to serve the future growth projected in the General Plan.



Arizona's Groundwater Management Act (GMA) requires that cities and others within Active Management Areas (AMA) transition from the use of mined groundwater to the use of renewable supplies by the year 2025. As part of the GMA, cities in an AMA that wish to grow must demonstrate a one-hundred year assured water supply. Mesa is currently designated by the Arizona Department of Water Resources (ADWR) as having a one-hundred year assured water supply.

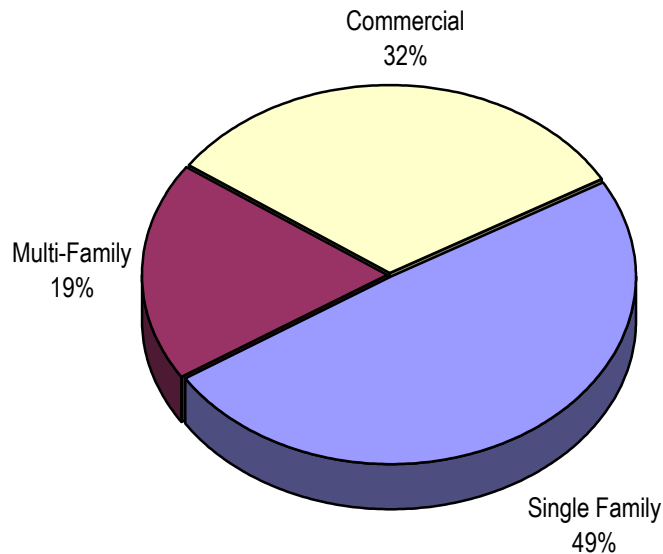
## 11.1 Background

In addition to the City of Mesa having legal title to a specific amount of water, it is just as important that water be made available to the customer at a particular time and in a particular location. Infrastructure provides the connection between a water resource that is available in a specific time and place and water delivery to the customer at a different time and location.

### 11.1.1 Current Water Use

Mesa used 95,886 acre-feet of water in 2000 to serve approximately 435,000 people in its water service area. At present, residential uses constitute approximately 68 percent of Mesa's demand. The remaining thirty-two percent is commercial uses. Figure 11-1 illustrates these water use characteristics.

**Figure 11-1: City of Mesa Water Use Characteristics 2000**

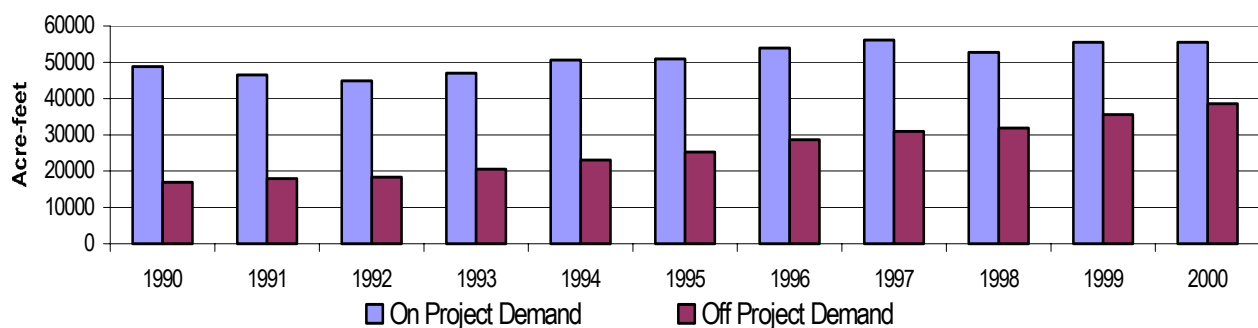


### On Project Versus Off Project

The most useful categories for describing Mesa's water resources portfolio are "On Project" and "Off Project." The term On Project is used to describe the lands within the boundaries of SRP. The term Off Project describes the lands outside of these boundaries, including Roosevelt Water Conservation District (RWCD) lands.

Currently, On Project demand is just under sixty percent of the total demand in the City of Mesa. The historic difference in On Project versus Off Project demand is shown in Figure 11-2 below. While On Project demand has remained relatively stable over the last ten years, Off Project demand has more than doubled.

**Figure 11-2: City of Mesa Historic Demand On and Off Project**



On Project, residential use of water constitutes approximately sixty-nine percent of demand and commercial use is approximately thirty-one percent of demand. These demand characteristics have remained relatively stable over the last ten years. However, the characteristics of Off Project demand have changed dramatically. Single-family use has doubled and commercial use has tripled during the last decade.

### **11.1.2 City Facilities**

Currently, the City operates a variety of water resource treatment, production, and transportation facilities including water treatment plants, wells, wastewater reclamation plants, and recharge facilities.

#### **Water Treatment Plants**

The City owns capacity at the Val Vista Water Treatment Plant (WTP) and owns the CAP Brown Road WTP. The City's current capacity at the Val Vista WTP is 101,000 acre-feet per year with an additional 11,220 acre-feet per year available in the near future. The CAP Brown Road WTP has a capacity of 53,000 acre-feet per year growing to 81,000 acre-feet per year in the future.

#### **Wells**

The City uses 33 wells for water production netting approximately 106,000 acre-feet per year of pumping capacity.

#### **Water Reclamation Plants**

The City owns and operates the Southeast Water Reclamation Plant (WRP) and the Northwest WRP. The Southeast WRP currently has an approximate treatment capacity of 9,000 acre-feet per year, expanding to 18,000 in the future, while the Northwest WRP has an approximate treatment capacity of 9,000 acre-feet per year and will expand to nearly 34,000 acre-feet per year. Mesa also owns around 32,000 acre-feet per year of capacity in Phoenix's 91<sup>st</sup> Avenue WRP.

#### **Recharge Facilities**

The City owns approximately 24,000 acre-feet per year of recharge capacity at the Granite Reef Underground Storage Project (GRUSP), and has an additional 6,000 acre-feet per year capacity at the Northwest WRP Ponds. The City also has the ability to recharge into the RWCD and SRP groundwater savings facilities, yielding potentially tens of thousands of acre-feet of additional storage capacity.

### **11.1.3 Current Supplies**

The City of Mesa has over sixty-five legally distinct sources of water. However, for purposes of explaining Mesa's water resources portfolio, these legally distinct sources can be grouped together based on the source of water.

#### **Water from the Salt River Project**

Mesa has a significant amount of land within its water service area that has rights to water from the Salt River Project (SRP). The majority of SRP water received by Mesa is treated to drinking-water standards at the Val Vista Water Treatment Plant located at Lindsey and McDowell roads.

Rights to SRP water are appurtenant to certain lands within the Salt River Valley Water Users' Association (SRVWUA). The term "appurtenant" means that, with few exceptions, the rights to the water stays with the land that it is attached to, and cannot be moved to or used on other land. Therefore, while Mesa has approximately 20,000 acres of land that carries with it rights to SRP water within its service area, this water cannot be used anywhere but on the land to which the rights are appurtenant. In most years, Mesa is entitled to more SRP water than it can use on those lands that have SRP water rights.

The amount of SRP water to which municipalities are entitled is difficult to quantify because the amount changes each year based on the quantity of water stored in SRP reservoirs, and the current and projected flows of the Salt and Verde Rivers. However, in most years, a municipality is entitled to three acre feet per acre, most of which is surface water.

Current demand for SRP water from Mesa SRVWUA lands is approximately 56,000 acre-feet per year.

#### **Colorado River Water from the Central Arizona Project**

Mesa's second-largest source of surface water is delivered through the Central Arizona Project (CAP). The Central Arizona Project is operated by the Central Arizona Water Conservation District (CAWCD). The CAWCD pumps water from the Colorado River at Lake Havasu to Maricopa, Pinal, and Pima Counties.

While all water currently delivered through the CAP is physically the same — Colorado River Water —, the water that Mesa receives through the CAP differs in price, legal title, and priority. Currently, Mesa has access to Subcontract water, Wellton-Mohawk water, Hohokam water, SRPMIC Lease water, RWCD Assignment water, Incentive water, and Excess water through the CAP system. Most water received through the CAP system is treated to drinking water standards at Mesa's Brown Road CAP Water Treatment Plant, and can be used anywhere in the Mesa water service area.

#### Subcontract Water

In 1984, Mesa entered into a Subcontract with the Bureau of Reclamation and the CAWCD to receive what is called Municipal and Industrial (M&I) Priority water. Currently, Mesa is entitled to 36,388 acre-feet of M&I Priority water.

#### Wellton-Mohawk Water

Mesa owns rights to 2,761 acre-feet per year of Wellton-Mohawk Irrigation District water. The Wellton-Mohawk Irrigation District is located on the Colorado River near Yuma.

#### Hohokam Water

In December of 1993, Mesa signed another Subcontract with the Bureau of Reclamation and the CAWCD for delivery of what is called Hohokam Water. Hohokam Water is CAP Agricultural Priority that was transferred by the Secretary of the Interior to the Cities of Chandler, Mesa, Phoenix, and Scottsdale as replacement water for a dam that was scheduled to be built but never completed. In the year 2043 the water offered under this subcontract converts to M&I Priority.

The amount of Hohokam available to Mesa varies from year to year depending on the available supply of CAP Agricultural Priority Water. In 1999, Mesa received 17,663 acre-feet of Hohokam Water, but the amount available to Mesa will decline over time to approximately 4,290 acre-feet in 2043, at which time this amount will convert to M&I Priority.

#### SRPMIC Lease Water

As part of the Salt River Pima-Maricopa Indian Community (SRPMIC) water settlement, Mesa leases 1,669 acre-feet per year of SRPMIC Indian Priority Water. The lease expires in 2098.

#### RWCD Assignment Water

Also as part of the SRPMIC water settlement, Roosevelt Water Conservation District transferred 627 acre-feet of its Agricultural Priority Water to the City of Mesa.

#### Excess Water

CAP Excess Water is the water left over after M&I, Indian, and agricultural users have scheduled their CAP water. The CAWCD markets this water to anyone in Arizona with a use for it. Mesa does not currently contract for Excess Water.

#### Incentive Water

As part of its effort to move water off of the Colorado River and make use of Arizona's full entitlement to CAP water, the CAWCD currently offers water used for recharge at a discount rate. The amount of water available varies year by year. This water can be used only for recharge purposes and is delivered directly to the recharge partner or facility.

Mesa makes use of this relatively inexpensive source of water through partnerships with SRP and RWCD at their Groundwater Savings Facilities (GSF). Mesa purchases the Incentive Water and the water is in turn delivered directly to the GSF partner. The GSF partner uses this water in lieu of pumping groundwater. The Department of Water Resources assigns Ninety-five percent of the water used by the GSF partner to the City of Mesa in the form of Long Term Storage Credits. Currently, Mesa has approximately 230,000 acre-feet of Long Term Storage Credits from CAP water.

### **Water from Roosevelt Water Conservation District**

Mesa also receives water from land that has water rights from the Roosevelt Water Conservation District (RWCD). RWCD water can only be used on RWCD lands. Mesa has approximately 8,000 acres in the RWCD boundaries. Mesa's allocation of RWCD water is treated to drinking-water standards at the Val Vista Water Treatment Plant.

In most years, a municipality is entitled to approximately four-tenths of an acre-foot of surface water and four-tenths of an acre-foot of groundwater for each acre of land within RWCD. In most years, Mesa is entitled to about 3,200 acre-feet of surface water and 3,200 acre-feet of groundwater from its lands within RWCD. Current demand for water within the Mesa RWCD lands is approximately 9,400 acre-feet per year.

### **Salt and Verde River Water from New Roosevelt Conservation Space**

In 1986, the United States, the CAWCD, Maricopa County Flood Control District, SRP, Chandler, Mesa, Phoenix, Scottsdale, Tempe, and the State of Arizona, reached agreement on funding for an increase in capacity to Roosevelt Dam. In exchange for its monetary contribution, Mesa is entitled to 15% of the capacity in New Roosevelt Conservation Space, up to a maximum of just over 38,000 acre-feet per year.

The New Roosevelt Conservation Space is located at nearly the top of Roosevelt Dam, and because the years since completion of the project have been dry ones, Mesa has never received any water from this project. However, it is anticipated that in future years, Mesa will receive an average of 12,000 acre-feet per year. This water can be used anywhere in Mesa's water service area.

### Reclaimed Water

Mesa currently produces approximately 40,000 acre-feet of reclaimed water every year. Because public acceptance of drinking reclaimed water is extremely low, Mesa's direct uses for reclaimed water are limited to non-drinking water purposes. Mesa uses reclaimed water directly by delivering it to turf facilities such as golf courses. Approximately 1,200 acre-feet per year are under contract for turf facility use.

Reclaimed water can also be recharged artificially into the aquifer and recovered as groundwater for later use. This use of reclaimed water is called a "recharge and recovery" strategy. By this method, reclaimed water is recharged either directly into the aquifer or is delivered to a GSF partner. In either case, Long Term Storage Credits are created. Later, groundwater is pumped from a permitted recovery well, and the Long Term Storage Credits are recovered. Mesa has approximately 25,000 acre-feet of Long Term Storage Credits for reclaimed water.

Mesa recently signed an agreement with the Gila River Indian Community (GRIC) through which Mesa ultimately will deliver 29,400 acre-feet per year of reclaimed water to the GRIC and receive in exchange 23,530 acre-feet per year of CAP water. This agreement allows Mesa to exchange what is essentially a non-potable water supply for a supply that can be used for domestic purposes.

### Groundwater in the Mesa Service Area

The Phoenix Active Management Area (AMA) is working towards a goal called "Safe Yield." Safe Yield is defined as a balance between groundwater withdrawals and natural and artificial recharge. ADWR policies dictate that Mesa curtail groundwater use in order to continue its designation as having a 100-year assured water supply.

However, groundwater use that is consistent with the safe yield goal is permitted. Recovery of Long Term Storage Credits by pumping groundwater is permitted because the credits represent surface water that has been stored in the aquifer. In addition, cities are credited for incidental recharge. Incidental recharge is the amount of water that percolates into the aquifer after the water has already been used for things like watering lawns or controlling dust. Mesa is credited with approximately 4,800 acre-feet of incidental recharge each year. In addition, Mesa is credited with a groundwater allowance account of 5,823 acre-feet per year for the next one hundred years. Groundwater can be withdrawn from any permitted well in the Mesa water service area.

### Pinal County Water Farms

In 1986, Mesa purchased land in Pinal County for the purpose of capturing the groundwater rights appurtenant to the land. Through this purchase, Mesa now

owns approximately 28,000 acre-feet per year of groundwater rights in Pinal County.

Mesa does not currently make use of this water directly. Instead, the lands have been leased back to farmers, who use the water rights for their crops and pay the groundwater tax directly to the Department of Water Resources. At this time, Mesa has no need for this water and no legal or physical arrangements have been made for its use.

### Total Supply

The supply sources used to meet Mesa demand in 2000 are shown in Table 11.1.

**Table 11.1: 2000 City of Mesa Water Supply Use**

SOURCE	ACRE-FEET
Decreed Appropriation (SRP)	39,291
Hohokam Water (CAP)	17,663
Normal Flow (SRP)	10,231
Groundwater (Mesa)	8,140
Subcontract Water (CAP)	7,512
Groundwater (through SRP)	3,659
Groundwater (through Motorola)	3,396
Salt and Verde water (RWCD)	3,293
Wellton-Mohawk Water (CAP)	2,761
Effluent (Mesa)	1,754
SRPMIC Lease Water (CAP)	1,669
Recovered Annual Storage Credits (SRP)	1,238
RWCD Assignment Water (CAP)	627
Spill water (SRP)	107
Adjustments for deliveries to other rights and treatment plant backwash	-5455
Total	95,886

## 11.2 Goals, Objectives, and Policies

Water Resources Goals, Objectives, and Policies are designed to provide the City with sufficient and reliable sources of water, and to make the best possible use of its water resources. Because Mesa will continue to grow, develop, and change in terms of its water needs and interests, water resources goals are designed to enable the City to adapt to these changing conditions.



**Goal WR-1**

Maintain an adequate water supply.

- Objective WR-1.1** Develop and maintain the physical and legal availability of sufficient supply sources to meet water demands.
- Policy WR-1.1a Continue to work with water and wastewater operations and engineering to ensure that the infrastructure necessary to serve Mesa customers and make the best use of Mesa's water resources is developed and maintained.
  - Policy WR-1.1b Monitor the activities of various official boards and committees that relate to water resources; such as the Central Arizona Water Conservation District Board of directors, the Groundwater Users Advisory Council, the Roosevelt Water Conservation District Board of Directors, the Salt River Valley Water Users Association, and others.
  - Policy WR-1.1c Maintain active and positive liaison with various boards, organizations, working groups, and other organizations that have the ability to influence the legal availability of Mesa's water resources.
  - Policy WR-1.1d Participate in various committees and working groups to influence the outcome of legislation and regulation.
  - Policy WR-1.1e Identify, react to, and influence legislative and policy changes that impact the legal availability of Mesa's water resources.
  - Policy WR-1.1f Maintain Mesa's one-hundred-year assured water supply designation.
- Objective WR-1.2** Meet and exceed the requirements of the Clean Water Act.

**Goal WR-2**

Maintain a reliable water supply.

- Objective WR-2.1** Develop and maintain the physical and legal availability of sufficient supply sources to meet water demands during drought periods.
- Policy WR-2.1a Develop a drought response plan that addresses the legal, physical, and public relations steps that must be taken to cope with periods of surface water drought.
  - Policy WR-2.1b Continue to work with water and wastewater operations and engineering to ensure that the infrastructure necessary to serve Mesa customers during periods of drought is developed and maintained.
  - Policy WR-2.1c Work with the Salt River Project, the Arizona Department of Water Resources, the Central Arizona Water Conservation District, and others to develop a policy and mechanism through which official periods of surface water drought can be declared.

- Policy WR-2.1d Develop sufficient long-term storage credits that can be used to avoid violations of the Groundwater Code during periods of surface water drought.

### **Goal WR-3**

Develop the efficient use of supplies

- Objective WR-3.1** Maximize the net benefit to Mesa citizens of renewable water supply development and use.
- Policy WE-3.1a Develop dynamic schedules for the appropriate use over time of Mesa's surface water supplies, effluent, groundwater allowance credits, and long-term storage credits.
- Policy WE-3.1b Continue to explore and develop new and innovative ways to make better use of Mesa's water resources through exchanges, intergovernmental agreements, and other legal arrangements.

### **Goal WR-4**

Promote responsible use of the available supply.

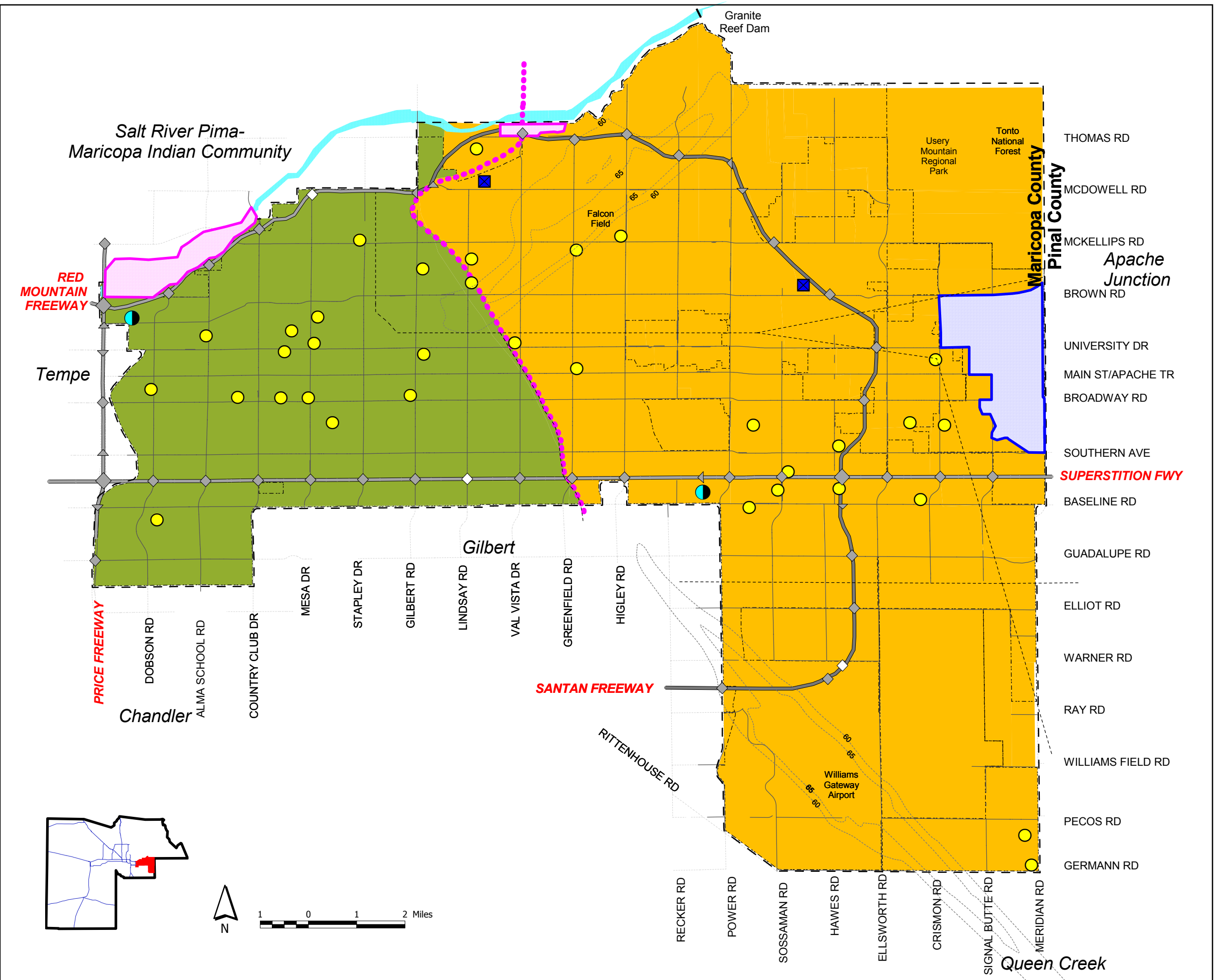
- Objective WR-4.1** Provide education and incentives to encourage water conservation.
- Policy WR-4.1a Distribute information on water conservation to Mesa residents at public events, in newsletters, and on the City's website.
- Policy WR-4.1b Promote school programs to educate students about water conservation.
- Policy WR-4.1c Promote the use of drought tolerant plants in public facilities.
- Policy WR-4.1d Encourage the use of reclaimed water for irrigating golf courses, greenbelts, freeway lands, and community parks.
- Policy WR-4.1e Consider new technology and programs to further the City's conservation efforts.

## **11.3 Plan Components**

The City of Mesa has examined water needs for the community through build out. Planning to meet the future water needs includes meeting demand as well as drought planning as described in the following sections. The Water Resources Plan is depicted in Figure 11-3.

Water Resources Plan

Figure 11-3



- Effluent Recharge Area
- Existing Water Reclamation Plant
- Proposed Water Reclamation Plant
- Existing Well
- Water Treatment Plant
- On/Off Project Lands
- Arizona Water Company
- SRP On-Project Lands
- SRP Off-Project Lands

- Freeway
- Interchange
- Future Interchange
- Arterial Roadway
- Canals and Waterways
- Aviation Noise Contours
- Overhead Transmission Lines
- Planning Area Boundary



### 11.3.1 Meeting Demand

#### On Project

Currently, On Project demand is just under sixty percent of total demand in the City of Mesa, or approximately 56,000 acre-feet per year. Demand On Project is ultimately expected to reach approximately 65,000 acre-feet per year. Little growth in demand is expected because the SRP region encompasses Mesa's traditional city center, in which there is limited vacant land or room for major development.

Current On Project supplies are approximately 76,000 acre-feet of renewable surface water. It appears as though the City of Mesa has enough surface water in the SRP region to support demand even at buildout levels.

#### Off Project

Off Project demand is projected to increase from approximately 38,500 acre-feet to nearly 110,000 acre-feet. Also, it is predicted that the mix of this demand will change from predominantly single-family residential to a more even split between commercial and residential uses.

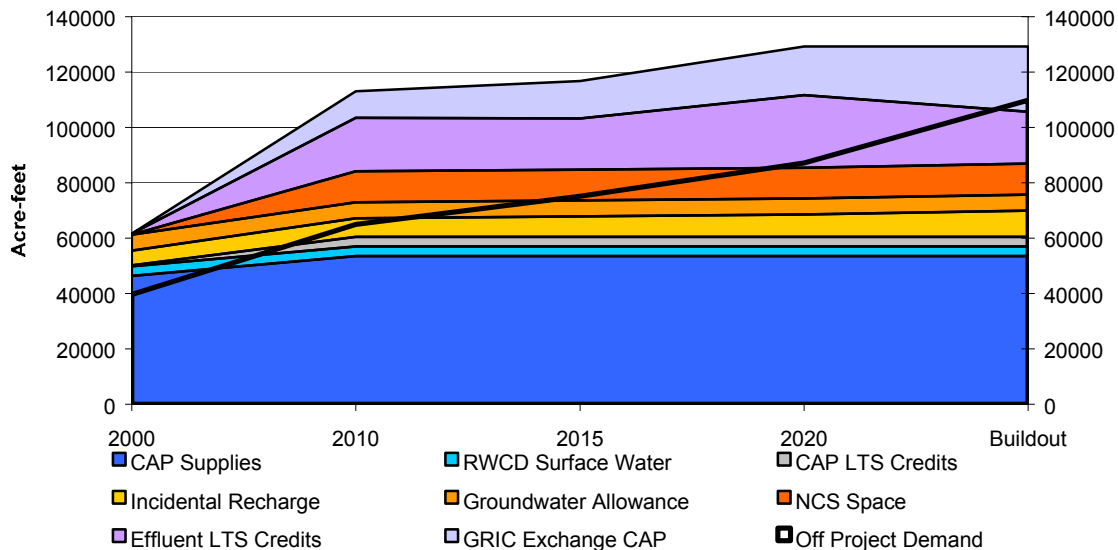
Off Project supplies that are currently physically and legally available to the City of Mesa total just over 60,000 acre-feet. However, Mesa anticipates having ample supplies and the necessary infrastructure to meet Off Project demand of nearly 110,000 acre-feet. To meet this demand, Mesa intends to:

- Acquire additional CAP water and other supplies as may be necessary;
- Develop infrastructure that is compatible with the available water resources and location and timing of water demands;
- Implement an exchange with the Gila River Indian Community (GRIC) whereby 29,400 acre-feet of Mesa reclaimed water can ultimately be exchanged for 23,530 acre-feet of GRIC Indian Priority CAP water that can be used as a potable supply;
- Create additional Long-Term Storage Credits through local groundwater savings facilities and direct recharge facilities,
- Continue to drill the wells necessary to recover stored water credits; and
- Develop the infrastructure necessary to make beneficial use of reclaimed water through exchange, storage underground for Long-Term Storage Credits and direct delivery to turf facilities.

At this time, it is unknown whether, or to what extent, Pinal County groundwater resources will be developed for Mesa use. Certainly, it is possible to develop Pinal County groundwater resources for Mesa use should the need arise. The supplies

that are anticipated to be legally and physically available in the future are shown in Figure 11-4.

**Figure 11-4: City of Mesa Projected Supplies and Demand Off Project**



As is clearly illustrated on the chart, Mesa anticipates having ample supplies to meet future demand Off Project. However, the actual mix of the supplies acquired, developed, and used may change over time as regulatory, physical, political, and other circumstances change.

### 11.3.2 Drought Planning

Surface water supplies, namely Colorado River, Salt River, and Verde River water, may be reduced during droughts. Shortage on the Colorado River system is not expected to occur until after the year 2030, when the upper Colorado River basin states may be making full use of their allocation of Colorado River water. During a severe drought on the Colorado River, it is projected that CAP supplies would be reduced by thirty percent. Ten percent of this shortage would be made up for through recovery of surface water stored underground by the Arizona Water Banking Authority. However, Mesa would be responsible for covering the net twenty percent supply reduction. Mesa would also be responsible for covering any supply reduction caused by drought on the Salt and Verde River water systems.

For these reasons, Mesa has accumulated CAP Long-Term Storage Credits that can be pumped by any well in Mesa's service area and used as a replacement supply during times of shortage. In addition, it is Mesa's intent to drill new wells to keep up with demand requirements and drought pumping. Therefore, it is expected that Mesa will have both the water and the infrastructure necessary to meet demand even during drought conditions.

## 12.0 Cost of Development

The purpose of the Cost of Development Element is to assure that new development pays its “fair share” of the cost of additional public services necessary to serve that development, with exceptions allowed when in the public interest. The element also provides information regarding potential funding mechanisms for providing public services and infrastructure as the existing systems mature during the next 25 years.



### 12.1 Background

The City of Mesa provides a wide range of infrastructure, facilities, and services to its residents and businesses. These services, including streets, public utilities, public safety (police and fire), housing, solid waste, libraries, parks and recreation, redevelopment and transit, have been provided through a variety of funding mechanisms.

The City of Mesa uses two major tools to fund the services it provides, a Budget (Operating) Plan and a Capital Improvements Program, both of which are updated annually and are closely linked to the General Plan. Due to the City's tremendous population growth over the past decades, the City's Budget Plan and Capital Improvements Program have grown rapidly, thereby allowing the City to continue to provide required infrastructure, facilities, and services.

#### 12.1.1 General Funding Mechanisms

A wide variety of funding mechanisms are available to Arizona municipalities to meet the cost of public services through both the Budget Plan and the Capital Improvements Program. Facilities and services that are provided to all citizens as a benefit of living in the City are paid for by a number of revenue sources. Examples of specified revenue sources are Highway User Revenue Funds for roadways and public utility payments for water, sewer, and gas service. Examples of general sources include municipal sales and use taxes and State revenue sharing.

#### 12.1.2 Funding Mechanisms Specific to New Development

In order to determine cost of public services specific to new development, the associated impact of the project on the City's infrastructure must be determined. The impact may be seen as the necessary expense for meeting established City standards for properly serving the new development. For instance, roadway



improvements, police and fire service, and utility linkages will be required to assure that City standards are met. Certain services are paid through the Budget and CIP Plans, however, new development must also pay their fair share of providing such improvements to offset impacts that they have created. Public service or infrastructure improvements required by the impact of new development may be either on-site or off-site. On-site includes streets, infrastructure, and other amenities within the boundaries of the platted area of the new development. Off-site improvements are those that are beyond the boundaries of the new development based on impacts at a greater scale than on-site.

On-site improvements are required by the City as the developers' cost of development as part of their subdivision improvements, zoning and other City Code standards. Further requirements may be the result of development agreements or stipulations associated with the City Council approval of the new development. The cost of constructing on-site improvements are most often born by the developer, although operation of maintenance of these roads, utilities and other services are often given to the City through dedications.

Off-site improvements that may be proportionally assigned to the new development by the City may be funded according to specific mechanisms, such as development impact fees, special assessments, or improvement districts. For new commercial developments, mechanisms such as user fees and sales taxes may be used.

### 12.1.3 Cost of Development Issues

The City of Mesa was among the 20 fastest-growing cities in the nation between 1990 and 2000 and grew to the 46<sup>th</sup> largest city. The impact of development on the provision of municipal services in Mesa during this time was tremendous. In order to support services to the existing population and pay for future services to serve new development, it is important to first consider a number of issues regarding cost of development.

These issues may be summarized as follows:

- How will new development pay for their fair share of providing new public services needed?
- How will the City improve public services to existing development when needed?
- How will the City operate and maintain public services to new development and to upgrade existing public services?
- How will the City pay for the cost of providing public services through available funding mechanisms given the challenges of the future, such as improving deteriorating infrastructure and providing improved services based on new technology?

In order to address these issues, it is important to consider a number of existing and potential revenue sources, as follows:

### Revenue Sources in General

#### Sales and Use Taxes

A sales tax generates revenues by imposing a tax on retail and other sales activities. A use tax is imposed on items used within a business on which a sales tax has not been charged. Municipalities in Arizona may impose sales and use taxes on sales and use activities within their boundaries. The City of Mesa currently imposes a sales or use tax of 1.0 percent on retail sales and business activities occurring within the City for expenditure on general City operating expenses. The City also levies an additional 0.5 percent sales or use tax pursuant to voter approval given at a special election held in 1998. The revenues deriving from the levy of this "Quality of Life" ½-cent sales tax may be expended only for the purposes specified on the 1998 ballot, and shall not be used for general operation purposes. Of this 0.5 percent tax, 0.25 percent sunsets as of July 1, 2006, with the remaining 0.25 percent collected in perpetuity.

#### Specialty Industry Tax

Municipalities in Arizona may impose specialty industry taxes, such as hotel bed taxes and rental car taxes. These taxes are typically paid for by visitors to the municipality (i.e., non-residents) and are used to fund specific services, such as tourism, cultural or sports related facilities. Specialty industry taxes may be used to fund both operating and capital expenditures. The advantage of a specialty industry tax is their payment by non-residents and the application of their revenues for specific purposes.

#### General Obligation (GO) Bonds

The City may issue general obligation bonds to provide funding for certain capital improvement purposes. The issuance by the City of general obligation bonds is subject to prior voter approval, and to certain constitutional and statutory limitations in regard to the amount and purposes for which the City may issue such debt. The annual debt service requirements of such bonds are secured and payable from a continuing, direct, annual, ad valorem tax to be levied against all of the taxable property located within the boundaries of the City without limit as to rate or amount. However, the City currently pays the annual debt service requirements on all of its outstanding general obligation bonds from revenues and moneys of its general fund, certain special revenue funds and the utility systems enterprise fund. The sources of payment used by the City to pay its outstanding general obligation bonds generally correspond to the purposes for which bond proceeds were expended. Should the City experience a significant shortfall in the revenues it intends to use for payment of general obligation bond debt service in the future, or if the City determines that the bonds will not be paid there from, an annual property tax will be levied for this purpose.



### Revenue Bonds

The City may issue revenue bonds to provide funding for specific types of capital improvement projects. Revenue bonds generally are issued as (1) utility systems revenue bonds, (2) street and highway user revenue bonds or (3) excise tax revenue bonds. Utility systems revenue bonds require voter authorization for issuance, and are special obligations of the City secured and payable solely from the net revenues generated by the City's utility systems (i.e., water, wastewater, natural gas, electric and solid waste systems). Street and highway user revenue bonds require voter authorization for issuance, and are limited obligations of the City secured and payable solely from certain highway user taxes and motor vehicle fuel tax revenues collected by the State and returned to the City for street improvement purposes. Excise tax revenue bonds do not require voter approval for issuance, but may indirectly be put to a vote should approval of additional City excise taxes be required for their payment (i.e., the City's "quality of life" issue in 1998). While utility systems revenue bonds and street and highway user revenue bonds may be issued to finance only utility systems or street improvement projects, respectively, excise tax revenue bonds may be issued to finance virtually any capital improvement project that may be legally undertaken by the City.

### User Charges

User charges recover costs for services provided under a municipality's authority to protect and promote the health, safety, and general welfare of its citizens and businesses. Services for which user charges may be leveled include utilities (electricity, gas, water, wastewater), solid waste collection, and recreation. Charges may be structured in varying manners, such as flat monthly fee (e.g., solid waste collection) or on a unit basis (e.g., kilowatt hours of electricity), and may also include fixed one-time or monthly connection charges.

User charges have a variety of advantages, including flexibility in terms of use, a direct relationship between use and charges, enabling capital expenditures outside tax or spending limits, generation of revenues that are bondable (e.g., revenue bonds), administrative efficiency, and ability for use in a variety of development types (e.g., existing, emerging and new).

The City of Mesa operates the following eight enterprise funds that levy user charges: electric, gas, water, wastewater, solid waste management, airport, golf course, and community center. In addition, the City of Mesa levies charges for the use of a wide variety of facilities and/or activities, such as general government, culture, parks and recreation.

### Property Tax

Mesa is unique to Arizona in that it does not impose a property tax based on the assessed value of property in their community. Property taxes are composed of a primary and a secondary component, with the primary component used to fund operating expenses and the secondary component used to fund special

obligations, such as the repayment of bonds and budget overrides. Primary property taxes are subject to limits imposed by the State, while secondary property taxes are not subject to limits.

A property tax may provide an advantage for the City in that they are a potentially large and stable source of revenue; they are familiar to citizens/businesses; they have limited risk of taxpayer avoidance; they have flexibility in terms of the expenditure of tax revenues; and they are deductible from income taxes.

### Cost of New Development Revenue Sources

#### Special Assessment Financing

Under the provisions of Title 48, Arizona Revised Statutes, the City may create certain types of special districts within the boundaries of the City for the purpose of providing financing for (1) construction of capital improvement projects, (2) the annual maintenance costs associated with certain types of capital improvement projects, and/or (3) the delivery of certain “enhanced municipal services”, all or any of which must be of a “local benefit” to properties located within such districts. Annual assessments are levied by the City upon the properties located within such districts for these purposes according to the proportionate benefits derived by such properties, as calculated by the City pursuant to statute. The City may establish traditional improvement districts for financing the cost of specific capital improvement projects through the creation of special assessments payable by property owners “up-front” in cash, or over time through the issuance of improvement district bonds. The City may establish special districts for the purpose of levying annual assessments for the payment of certain project maintenance costs. Or the City may establish special districts, such as community facilities districts, which may legally accomplish both capital project construction and project maintenance purposes.

#### Development (Impact) Fees

Impact or development fees are one-time fees imposed on developers to fund the “fair share” proportion of additional public infrastructure and facilities required for new development. Impact fees are subject to strict legal tests that focus on a logical, proportional and beneficial relationship existing between the fees imposed and the benefits received by the new development. Development fees have numerous advantages, including requiring new development to pay for the costs it imposes, increased coordination between growth and public services, reduced need to raise taxes to pay for growth, and cost transparency for developers (in comparison with exactions which tend to be highly variable).

Starting in 1997, the City of Mesa began imposed impact fees on new development for water, wastewater, parks, cultural facilities, libraries, fire, and police services. These fees vary by type of land use and density/intensity of new development. The City of Mesa is currently studying the possibility of also

imposing impact fees for arterial roadways, storm sewers, and general government activities.

#### Dedications and Exactions

Dedications are the transfer of on-site land and/or facilities from a private entity to a municipality at no cost. Municipalities generally require the dedication of on-site land necessary for roadways, utilities, drainage, and large public facilities (e.g., parks, recreation, cultural facilities), and may also require the dedication of related facilities at municipally specified standards (e.g., arterial roads, storm sewers, neighborhood parks).

Exactions are negotiated contributions of off-site land or facilities by a developer in return for approval of the proposed project. Exactions are typically negotiated on a case-by-case basis for provision of major off-site infrastructure facilities (e.g., pump-lift station, sewage treatment plant) for large subdivisions or annexations. Linkage programs are a related funding mechanism that can be used to require off-site facilities (e.g., low-income housing) in return for development approval.

The City of Mesa requires various dedications, including roadway rights-of-way, roadways and related facilities (pavement, curbs, sidewalks, water and sewer lines, fire hydrants, sewer lines, street lights, signage, alleys, etc.).

#### Development Agreements

Municipalities may enter into voluntary agreements with property owners to protect or reserve land for public purposes, protect environmentally sensitive land, and/or to preserve historic structures. Such agreements may regulate property use, density, height, and other characteristics. While strictly voluntary in nature, development agreements may be used to attain goals such as the preservation of open space, the provision of land for public facilities, and the preservation or redevelopment of historic buildings.

#### Privatization or Public-Private Partnerships

The private provision of facilities and/or infrastructure may take a number of forms, including contracting out (e.g., vehicles or machinery), franchise agreements (e.g., the right to provide utility service to specified area), and specific projects (e.g., convention center, major sports facility). Similarly, public-private partnerships involve a sharing of the cost of facilities or infrastructure between the public and private sectors. These forms of financing must be beneficial to both parties and guarantees should exist that community security and equity will not be compromised.

## 12.2 Goals, Objectives, and Policies

### Goal COD-1

Provide excellent public services to new and existing development in Mesa, and sustain the City's fiscal health.

- Objective COD-1.1** Assess new development for the provision of public services at established levels of service.
- Policy COD-1.1a Annually evaluate in a comprehensive manner the cost of providing public services in the City of Mesa.
- Policy COD-1.1b Annually update existing funding mechanisms to reflect the cost of providing public services to new development.
- Policy COD-1.1c Integrate public service requirements due to new development into the annual *City Budget Plan* and *Capital Improvement Program*.
- Objective COD-1.2** Improve public services to existing development when desired by City residents/businesses, fiscally possible, and legally allowed.
- Policy COD-1.2a Periodically prioritize and integrate selected public service improvements to existing development into the annual *City Budget Plan* and *Capital Improvement Program*.
- Objective COD-1.3** Consider funding mechanisms that contain the elements of efficiency and legality to provide public services to new development and to upgrade existing public services.
- Policy COD-1.3a Periodically undertake comprehensive studies to evaluate the efficiency and legality of existing and potential funding mechanisms for the provision of public services to new and existing development.
- Objective COD-1.4** Improve the availability and understanding of information concerning the cost of providing public services, available funding mechanisms, and the City's fiscal health.
- Policy COD-1.4a Annually prepare concise, easy to understand summaries in text, tabular and graphic form of the annual *Budget Plan*, *Capital Improvement Program*, cost of public services studies, level of service studies, funding mechanism studies, and related studies.
- Policy COD-1.4b Annually distribute summaries to City staff, politicians, residents and businesses, and other interested parties.

**Goal COD-2**

Provide means to ensure that new development pays its fair share of the additional costs of extending or improving public service facilities and systems.

- Objective COD-2.1** Assure that new development proportionally contributes to the provision of public services and other community amenities at acceptable standards.
- Policy COD-2.1a Periodically evaluate the incremental costs of providing public services to new development in the City of Mesa.
- Policy COD-2.1b Assure that new and existing revenue sources related to new development are utilized as needed to offset impacts to infrastructure and public service systems.
- Policy COD-2.1c Continue to conduct research and evaluation of potential new sources of revenue to meet the costs of providing additional public services for new development.